

# County of San Diego, Health and Human Services Agency (HHS) CalWORKs Program Guide

Countable Income of the Assistance Unit

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## Revision Date:

April 23, 2020

## Background:

State regulations require all nonexempt income to be counted towards the cash grant.

## Purpose:

The purpose of this section is to provide regulations on how to calculate Net Nonexempt Income (NNI). Income disregards are allowed for certain Disability-Based Income (DBI) and other earned income for determination and computation of the NNI. The purpose of this revision is to incorporate changes to the income disregard threshold, to transfer NNI computation procedures to a processing guide, and to reformat this section.

## Policy:

### Income Disregard

The income disregard, which is allowed per AU not per individual, first exempts up to the threshold amount (refer to the appropriate Income Disregard Amount section below) of any DBI received. The remaining balance of the threshold amount is used as a disregard for any earned income, then 50% of the remaining earned income is disregarded.

### Income Disregard Amount

Allow the following amounts as income disregard:

- **\$225** through May 2020 (ACL No. 13-42)  
Refer to Processing Guide 44-100.I for any month during July 2011 and September 2013 (ACL No. 11-29)
- **\$500** effective June 2020 (ACL No. 19-76)
- **\$550** effective June 2021 (ACL No. 19-76)
- **\$600** effective June 2022 (ACL No. 19-76)

### Calculation of the Net Nonexempt Income (NNI)

The NNI, that is used to determine the Assistance Unit's (AU) grant by subtracting the NNI from the AU's Maximum Aid Payment (MAP), is calculated as follows:

- If the AU's DBI is less than the income disregard amount, all the DBI is disregarded and the unused amount of the income disregard amount plus 50% of the remaining earned income is disregarded - Any remaining earned income is treated as part of the AU's NNI
- If the AU's DBI exceeds the income disregard amount, only the income disregard amount is disregarded from the DBI, plus 50% of any earned income is disregarded - Any remaining DBI and remaining earned income is treated as part of the AU's NNI
- If the AU has earned income only, the income disregard amount is disregarded from the earned income, plus 50% of the rest of the earned income is disregarded - Any remaining earned income is treated as part of the AU's NNI

Add any remaining DBI/earned income (from the calculations above) to any nonexempt unearned income of both the non-AU and AU members. The sum equals the NNI.

Refer to Processing Guide No. 44-100.I, for procedures and examples.

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Self-Employment Income

Self-employed customers can choose, as a business expenses deduction, either:

- A standard 40% of gross income
- Actual verified expenses

Once the self-employed person chooses, the customer cannot change the method until renewal or every six months, whichever occurs first.

**40% Disregard:**

Self-employed customers who choose the 40% disregard, will be allowed a 40% disregard on gross self-employed income.

**Actual Expense:**

Allowable business expenses include, but are not limited to:

- Identifiable costs of labor
- Stock
- Raw material
- Interest paid to purchase income producing property
- Insurance premiums
- Taxes paid on income producing property

The following are not allowed as a business expense:

- Payments on the principal of the purchase price of income producing real estate and capital assets
- Equipment
- Machinery
- Other durable goods
- Net losses from previous periods
- Federal, state and local income taxes
- Money set aside for retirement purposes
- Other work-related personal expenses (i.e., transportation to and from work); and depreciation

To determine the disregard, deduct the allowable business expenses from the gross income (including capital gains).

**Income Averaging:**

- Self-employment income received less often than monthly which represents the AU's annual income is to be averaged over a 12-month period, even if the AU receives income from other sources
- Self-employment income that is intended to meet the AU's needs for only part of the year is to be averaged over the period of time the income is intended to cover

For the period of time over which self-employment is averaged, add gross self-employment income (including capital gains), exclude the cost of producing the self-employment income, and divide the self-employment income by the number of months the income is to be averaged.

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Room and Board Payments

Payments made to customers for room and board are considered self-employment income.

Garnishment of Wages

Money deducted from a customer's wages as a result of garnishment is not allowed as deduction.

Reception and Placement (R&P) Cash

R&P Cash/Voluntary Agency (VOLAG) funds may be considered resources or unearned income, depending on how they are disbursed.

- Funds given to the AU as a non-recurring (one-time) lump sum payment, or issued in more than one payment in the same month, are counted as a resource
- Funds given to the AU in several payments in more than one calendar month are counted as unearned income in the month received, even if disbursed as vendor payments - The income will be anticipated according to the appropriate Reporting/Budgeting regulations

Examples:

If R&P income is received:	Then count as:
Non-recurring (one time) lump sum payment	Resource
Multiple payments in the same month	Resource
Multiple payments over multiple months	Unearned Income

**Procedure:**

Processing Guide No. 44-100.I – Computation of Net Nonexempt Income (NNI).

**Impacts:**

Refugee Cash Assistance (RCA) And Trafficking and Crime Victims Assistance Program (TCVAP)  
CalWORKs regulations relating to financial eligibility and payments apply to RCA/TCVAP unless specifically superseded by RCA/TCVAP regulations, which exempt specific income and resources from the income eligibility determination.


**References:**

- Eligibility and Assistance Standards (EAS) 44-315, 44-316
- All County Letters (ACL) No. 11-29, 13-42, 19-76

**Sunset Date:**

This policy will be reviewed for continuance by April 30, 2023.

**Approval for Release:**

 4-23-20

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